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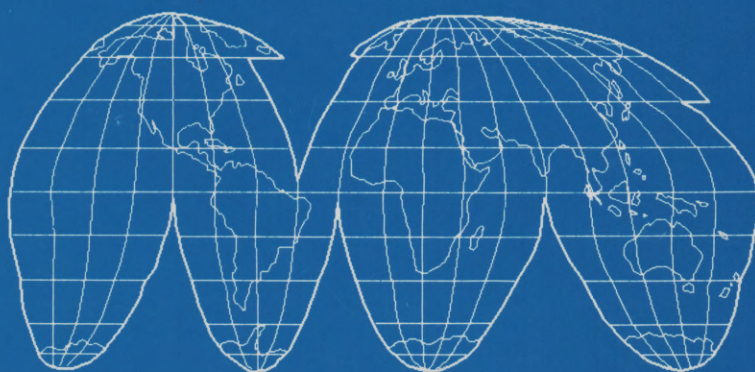
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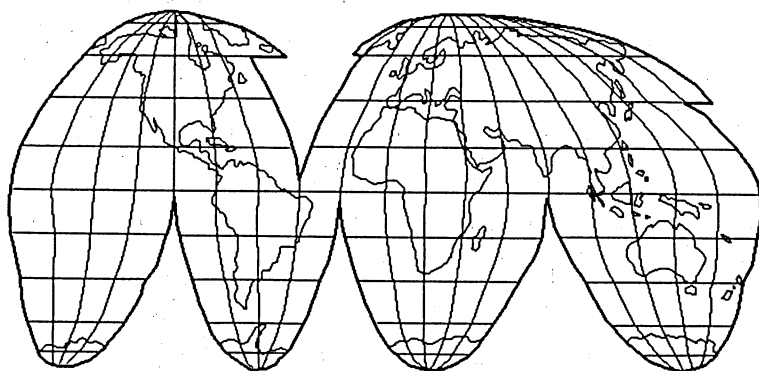


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Walter J. Armbruster and John E. Lenz

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***PERSPECTIVES ON
COMMODITY PROMOTION POLICY ISSUES***

ISSUES AFFECTING THE NATIONAL SOYBEAN PROMOTION PROGRAM

David C. Thomas
United Soybean Board

The United Soybean Board (USB) has been in operation for about thirteen months. One unique aspect of our situation is that, after only twelve months of operation we have been requested to do a complete contract compliance audit. Obviously that will have an impact on some of my comments as well as my answers to some of the questions that may be raised later.

In combination, the national and state soybean programs are a \$50 million operation; alone, the national program accounts for about \$20 million of this. During our first year we spent about \$7 million on promotion, \$5 million on research, \$2 million on consumer information, \$2 million on industry information, and about \$2.3 million on producer communications. For fiscal year 1993, our expenditure allocations will be very similar, the most notable change being that we plan to spend about two percent of our total contract dollars for third-party evaluation.

Looking at policies and issues facing the soybean check-off program, I think our concerns are similar to those of any other check-off program in terms of: overall impact, funding levels, resource allocation and planning. As to our program's overall impact, from an industry standpoint, a major benefit is its facilitation of a coordinated industry focus and strategic direction. We are helping farmers move from a production-driven to a market-driven stance. The program is also fostering greater participation by individuals who are not identified with prominent industry organizations and creating a spirit of cooperation where none existed previously.

Having a larger program, in terms of total funding, allows for both a greater latitude in program activities and more effective expenditure prioritization. Prior to USB's inception, the state programs contributed about \$7 million dollars to the national program. With the creation of USB, this has nearly tripled to about \$20 million. The larger budget has facilitated our communications and increased the industry's knowledge base, not only on the production side, but also on the marketing side.

Along with the additional funding has come a need for increased accountability and oversight—two points I think are extremely important for all commodity check-off programs. Having more resources has given us greater choices and opportunities, but has also required us to become more sensitive to our members' political and personal biases. With additional resources comes a greater need to show effectiveness. Comparing a \$1 million program to a \$50 million program, it is difficult to say what the "multiplier effect" (in terms of needing to demonstrate effectiveness) will be, but it is also certain such an effect exists.

As to planning and resource allocations, the national check-off has created a need to develop a broader information base upon which to make these decisions. Evaluation is very critical. Projecting market outcomes, especially longer-range outcomes, is something producers might not be overly concerned with if it were not for the national check-off program. For the total industry, we need to formulate strategic goals and identify opportunities for achieving those goals. Achieving an overall industry consensus, which recognizes the various stakeholders' concerns, is one of the things on which USB has worked extremely hard. In the soybean industry, as in many other industries, convincing producers of the merits of a team approach is not always easy. We are hoping our program can help producers appreciate the advantages of a broader, total industry viewpoint.

Coordination of all industry resources is an essential component in the process of setting marketing priorities. Furthermore, marketing priorities can be crucially influenced by government regulations. For example, right now we are concerned with the area of alternative fuels—bio diesel and soy diesel. We need to have a clear understanding of how priorities are being set and influenced by the legislative and administrative branches. Once again, working together toward common industry goals will allow us to identify and most fully utilize the opportunities being presented.

Another important point is to recognize that the check-off represents not just an industry segment, but all producers; in our case, 450,000 soybean producers. In the end, the goals and resources of check-off programs must be industry driven, not organizationally driven. In this regard, I think it is essential that any business relationships between a check-off organization and related commodity organizations or trade associations be strictly arm's length and clearly justifiable as necessary to the conduct of the program. We believe we have accomplished this within the soybean industry and it is working at the present time.

When I joined USB in January, I found two questions on the forefront as far as producers were concerned: "Where are my dollars going?" and "What am I getting for those dollars?" The sixty-three farmers on the USB board want to be able to look any other soybean farmer right in the eye and say, "Your dollars are being used

appropriately." We have been trying extremely hard to address questions of trust, efficiency, effectiveness, accountability and the performance-driven nature of our programs. You may well ask: "Is that policy?" My answer is that whether it is the soybean program or any of the other check-off programs that were addressed this morning, I feel it is crucial that our producers have confidence in the programs we are undertaking on their behalf. For a program such as ours, with refund provisions, the flip-side of confidence, in a very real sense, is refund requests. Right now our refund rate is running at about 18.5 percent; within our budget, but not where we would like to see it.

The legislation for the soybean program contains provisions for a referendum which must be conducted before July 9, 1994. There will also be a separate vote on the refund provisions. While it is important to understand why refunds are being requested, it is also important to insure that producers understand how the dollars are being used. By doing so we can probably help to avert at least some of the refund requests.

Among some, there seems to be an unfortunate misperception that the government, or program executives, or farmer-directors are somehow using the program to take advantage of the individual producer. From my perspective, two critical policy questions are: "How are we investing check-off dollars?" and, at least as important if not more so, "How can we insure that producers see an impact on their bottom line?" Most producers understand we cannot achieve immediate results. They do not expect an immediate increase in the bean price. But, they do need to be assured we are out there doing our best on their behalf.

I had a phone call yesterday morning from a disgruntled Indiana soybean producer. She was having trouble understanding why USB was in existence. She said she had not voted on it and was wondering how it came about. During our conversation, she said she supports research and promotion. Then I said, "Now wait a minute, you say you support it, but you are not willing to leave your dollars in. Why?" To which she responded, "Well it's because USDA is running it." I said, "Now wait, USDA is not running it. Sixty-three farmers are running it." And she said, "Yeah, but I don't know anything about them. How do I know they are taking care of my interests and concerns?"

So that is why I point out again some basics I feel are essential, especially the two questions I mentioned earlier: "Where are my dollars going?" and "What am I getting for those dollars?" Not only do we need to operate effective programs, we also need to be able to assure producers we are doing so.